STATE OF UTAH INSURANCE DEPARTMENT

FINANCIAL EXAMINATION REPORT

OF

EQUITABLE LIFE AND CASUALTY INSURANCE COMPANY

OF

SALT LAKE CITY, UTAH

AS OF

DECEMBER 31, 2001

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November 8, 2002

Honorable Alfred W. Gross, Chair
NAIC Financial Condition Committee
Commonwealth of Virginia
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Commissioner, Colorado Division of Insurance
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Honorable Merwin U. Stewart, Commissioner
Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, Utah 84114

In accordance with your instructions and in compliance with the insurance laws of the state of Utah, an examination of the financial condition and business affairs of

EQUITABLE LIFE AND CASUALTY INSURANCE COMPANY
of
Salt Lake City, Utah

a stock life insurance company, hereinafter referred to as the Company, was conducted as of December 31, 2001.

SCOPE OF EXAMINATION

Period Covered by Examination

The last examination was made as of December 31, 1996. The current examination covers the period from January 1, 1997, through December 31, 2001, including any material transactions and/or events occurring subsequent to the examination date noted during the course of the examination.

Examination Procedure Employed

The examination was conducted to determine compliance with accounting practices and procedures in conformity with the applicable laws of the state of Utah, insurance rules promulgated by the state of Utah Insurance Department (Department), and statements of statutory accounting principles (SSAPs), prescribed by the National Association of Insurance Commissioners (NAIC).

The examination included a general review and analysis of the Company's operations, the manner in which its business was conducted during the examination period and a determination of its financial condition as of December 31, 2001. Assets were verified and valued, and liabilities were determined or estimated.

The examination relied on the findings of an actuarial firm contracted by the Department to verify the aggregate reserve for life policies and contracts, the aggregate reserve for accident and health policies (except for unearned premium reserves and reinsurance ceded components), the liability for policy and contract claims, and the asset for life insurance premiums and annuity considerations deferred and uncollected on inforce business. Examiners were responsible for testing the completeness of the records provided to the firm and the accuracy of the underlying data used to establish account values.

The Company retained the services of a certified public accounting firm to audit its financial records for the years under examination. The firm allowed the examiners access and provided copies of requested working papers prepared in connection with its audits. The use of the firm's working papers did not significantly affect the nature and extent of examination procedures performed.

A letter of representation certifying that management has disclosed all significant matters and records, was obtained from management and has been included in the examination working papers.

Status of Prior Examination Findings

The previous examination, performed by the Department as of December 31, 1996, decreased the Company's reported surplus by approximately $798,052. The decrease represented the examinations adjustment on nonadmission of miscellaneous assets not deemed admissible for examination purposes. Important points and recommendations noted in the prior examination report have been addressed by the Company or have received further comment in this report.

HISTORY

General

The Company was initially organized on June 5, 1935, as a mutual benefit assessment association, under the name of Equitable Mutual Life Insurance Company of Utah on March 7, 1936. On May 18, 1938, the name was changed to its current name, Equitable Life & Casualty Insurance Company. The Company's authorized lines of insurance as of December 31, 2001, were life and disability.

On May 20, 1946, the Company was converted to a capital stock, legal reserve company. Authorized capital stock of the Company consisted of 500,000 shares of $1.00 par value stock. On May 14, 1979, the articles of incorporation were amended to increase the authorized capital stock to 2,000,000 shares of $1.00 par value stock.

During 1987, the articles of incorporation were amended to provide for 408,000, shares of preferred stock with a par value of $2.00.

As of December 31, 2001, the Company amended its articles of incorporation to change the common stock par value from $1.00 to no-par. At the same time, the board of directors retired all common and preferred treasury stock and increased the paid-in capital account of the Company to $2,500,000.

During 1998, the bylaws were amended. However they were not filed with the Department pursuant to U.C.A. §31A-5-203(4), which requires copies of bylaws and amendments be filed with the commissioner within sixty days after their adoption. On May 13, 2002, the amended bylaws were filed with the Department.

Capital Stock

As of December 31, 2001, the Company was authorized to issue 2,000,000, shares of no-par common stock, in which there were 401,985 shares issued and outstanding. The Company is controlled by Insurance Investment Company, a Utah Corporation that owns 94% of the issued and outstanding common stock of the Company.

Dividends to Stockholders

During the examination period, no dividends were paid to stockholders.

Management

The Company is a stock insurer controlled by its shareholders. The business matters of the Company are governed by its articles of incorporation and bylaws. Management of the Company is vested in its board of directors. The following individuals were serving as directors of the Company as of December 31, 2001:

Name and Residence	Principal Business Affiliation
E. Rod Ross Salt Lake City, Utah	Director Chairman of the Board Chief Executive Officer & President
Donald R. Kuhlman Sandy, Utah	Director Vice President & Treasurer
Kendall R. Surfass Park City, Utah	Director Secretary & General Counsel
Larry A. Thomas Park City, Utah	Director Chief Marketing Officer
Joan Ogden Salt Lake City, Utah	Director Consulting Actuary

Officers of the Company serving at December 31, 2001, were as follows:

Name	Title
E. Rod Ross	President & Chief Executive Officer
Donald R. Kuhlman	Vice President & Treasurer
Kendall R. Surfass	Secretary & General Counsel
Larry A. Thomas	Chief Marketing Officer

Three committees served the board of directors at December 31, 2001. The composition of those were as follows:

Steering Committee	Executive Committee	Finance Committee
E. Rod Ross	E. Rod Ross	E. Rod Ross
Donald Kuhlman	Donald Kuhlman	Donald Kuhlman
Kendall Surfass	Kendall Surfass	Kendall Surfass

Conflict of Interest Procedure

During the period covered by the examination, conflict of interest statements were completed annually by directors, officers and other key management personnel of the Company.

Corporate Records

The minutes of the meetings of the board of directors and of the shareholders were reviewed. The minutes contained detail information about the Company including current events, officer and director elections, investment transactions and regulatory issues. In general, the minutes adequately approved and supported Company transactions and events.

U.C.A. §31A-2-204(8) states the Company shall promptly furnish copies of the adopted examination report to each member of its board. The minutes of the board of directors meetings generated during the examination period did not evidence the presentation of the prior examination report to the board of directors. The failure to provide the examination report to the board of directors was also noted in the examination report for the period ending December 31, 1992.

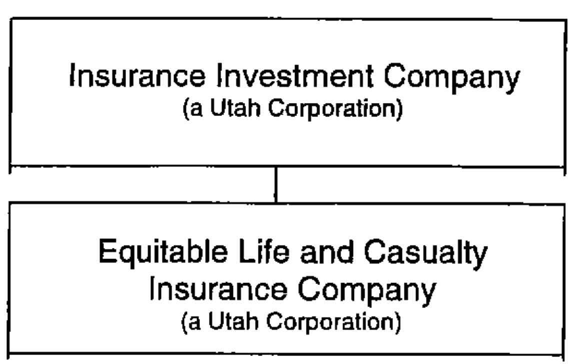
Surplus Debentures

During 1997, the Company instituted a succession plan to purchase, for $27,000,000, the majority of stock from shareholders directly or indirectly related to E. Rod Ross. During May 1997, to satisfy one of the obligations of the succession plan, the Company executed a surplus contribution note of $3,000,000, to mature in 2003. During June 1997, the Company executed a second surplus contribution note in the principal amount of $17,000,000, to mature in 2004, to satisfy another of the obligations of the succession plan. The note was renegotiated, and in March 1999, a renegotiated note was issued in the principal amount of $14,500,000, to mature in 2006.

As of December 31, 2001, the outstanding balance on these notes was $1,458,425 and $8,500,000, respectively. The notes provide for advance payment of obligations specified therein.

AFFILIATED COMPANIES

As of December 31, 2001, the Company was a member of an insurance holding company system as defined under U.C.A. §31A-1-301(66). The structure of the holding company system was as follows:



The interrelationship between the affiliates within the insurance holding company system existed as such: the ultimate controlling person E. Rod Ross, owned 15% of the voting common stock of the Holding Company. Insurance Investment Company (Holding Company), owned 94% of the Company's outstanding common stock. In turn, the Company owned 70% of the common stock of the Holding Company. There were no other persons holding 10% or more of the voting shares of the Holding Company or of the Company.

Insurance holding company registration statements regarding this interrelationship were amended and filed with the Department on August 29, 2002, pursuant to U.C.A. §31A-16-105.

FIDELITY BOND AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for a company of this size and premium volume is not less than $800,000. As of December 31, 2001, the Company had fidelity bond coverage of $500,000.

The Company also had additional insurance protection against loss from property, liability and mortgage risks.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company's employees participated in a 401(k) profit sharing plan. Employees could contribute up to a maximum of 15% of their annual compensation. The plan provided for a matching contribution by the Company of 50% of the first 3% of base compensation that the employee contributes to the plan. Profit sharing contributions were made at the discretion of the Company.

No provision for any of these plans was necessary in the financial statement of the Company. The plan was administered through a trustee in which benefits were paid as the obligation was incurred.

The Company's insurance programs provided to its qualified employees and their dependents consisted of group heath, dental, disability, and life insurance benefits.

STATUTORY DEPOSITS

Pursuant to U.C.A. §31A-4-105, the Company was required to maintain a deposit in an amount equal to its minimum capital requirement. The Company's minimum capital requirement was $400,000, at December 31, 2001. Deposits maintained by or through regulatory agencies in the policyholder's behalf, as of December 31, 2001, were as follows:

State	Statement Value	Fair Value	Type
Arkansas	$ 500,000	$ 514,240	U.S. Treasury Notes
Missouri	694,966	762,613	U.S. Treasury Notes
New Hampshire	258,045	253,488	U.S. Treasury Notes
New Mexico	252,955	275,508	U.S. Treasury Notes
North Carolina	299,228	318,702	U.S. Treasury Notes
South Carolina	202,388	220,406	U.S. Treasury Notes
Utah	3,205,639	3,235,679	U.S. Treasury Notes, Federal Home Loan Mortgages and Industrial Obligations
Virginia	313,907	323,343	FNMA Notes
Total	$5,727,128	$5,903,979	

As of December 31, 2001, the Company did not provide documentation evidencing a regulatory deposit to the Department pursuant to U.C.A. §31A-2-206(6)(b). During the examination, on June 11, 2002, the Company submitted the documentation to the Department.

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting

As of December 31, 2001, the Company insured individual life and disability product lines. Life insurance products consisted of modified whole life, whole life, term life and joint whole life. Disability insurance products consisted of hospital indemnity, accident, nursing care, home health care, medicare supplement, and long term care. The policy forms during the examination period were consistent with Department approved forms.

Underwriting consisted of criteria requirements and eligibility guidelines within the Company's covered products. The policy limits as of December 31, 2001, were as follows:

Life:	Policy Limits:
Whole Life	$ 250,000
Modified Whole Life	50,000
Joint Whole Life	36,000
Disability:	
Hospital Indemnity	$ 54,750
Accident	100,000
Home Health Care	122,400
Medicare Supplement	Unlimited
Long Term Care	Unlimited

Territory and Plan of Operation

As of December 31, 2001, the Company was licensed to transact the business of life and disability insurance in 36 states, including the District of Columbia as follows:

Alabama	Iowa	Nevada	South Carolina
Alaska	Kansas	New Hampshire	South Dakota
Arizona	Kentucky	New Mexico	Tennessee
Arkansas	Louisiana	North Carolina	Texas
Colorado	Michigan	North Dakota	Utah
Hawaii	Mississippi	Ohio	Virginia
Idaho	Missouri	Oklahoma	Washington
Illinois	Montana	Oregon	West Virginia
Indiana	Nebraska	Pennsylvania	Wyoming

As of December 31, 2001, approximately 91% of the Company's premium income was from disability insurance business and 9% was from life insurance business. The Company markets its products through an independent agent sales force of approximately 2,687 active licensed agents. The Company contracts through agents, special general agents, general agents, and managing general agents.

Advertising and Sales Material

The Company advertises through various mediums, including direct mail, newspaper inserts, magazine inserts, point of sale brochures, flyers and videos. Company products are marketed to prospective purchasers through non-captive outside independent agents. The Company's sales materials were consistent with the related policies.

Treatment of Policyholders

As of the period covered by the examination, three complaints against the Company were received by the Department. The examiners encountered no items of concern regarding treatment of policyholders. In addition, the Company maintained a complaint log to monitor complaints.

REINSURANCE

Assumed

The Company assumed premiums for term life insurance from a Utah domestic life insurance company. The Company did not disclose reinsurance assumed in the annual statements filed for the period covered by this examination. The Company provided evidence of negotiations relating to the termination of the assumed business, effective January 1, 2002.

Ceded

The Company had various life and accident and health reinsurance contracts in effect as of December 31, 2001. All the reinsurers were authorized to conduct business in Utah as follows:

Reinsurer's Name	Type of Contract	Coverage	Company's Retention	Reinsurer's Limits
Security Life Of Denver	Coinsurance	Disability	100% Ceded	Maximum, $25,000 on standard and medium risks $10,000 on special risks
Munich American Reassurance	Quota Share	Long Term Care	80% of the first two years of claim; 10% of excess	20% of the first two years; 90% of excess thereafter, with no limit terminating on May 1, 2000
Long Term Care Reinsurance Underwriters	Quota Share	Long Term Care	80% of the first two years and 10% thereafter	20% of the first two years and 90% thereafter, with no limit effective May 1, 2000
Reliastar Life Insurance Company	Excess of Loss	Long Term Care	24 months of confinement plus 40% of skilled or intermediate care; 10% of custodial care; both maximum of $72 per day	60% & 90% maximum 2,920 days or $210,240 per insured; not to exceed $500,000
Employers Reassurance Corporation	Excess of Loss	Long Term Care	24 months of confinement plus 40% of skilled or intermediate nursing; 10% of custodial care	60% after first 24 months of confinement; maximum lifetime $200,000; 90% of custodial care

Munich American Reassurance	Coinsurance	Modified Whole Life	$30,000 all ages	80% of the issue amount in excess of $25,000 not to exceed $50,000; over $50,000 facultative; Jumbo limits: Life $1,500,000 Accidental Death $200,000
Connecticut General Life	Yearly Renewable Term	Whole Life	$5,000 up to age 65	$80,000

The Company also reinsured disability coverage with Lone Star Life Insurance Company. The Company discontinued writing new risks under this treaty effective November 1, 1983. All business from this treaty is on a renewal basis.

ACCOUNTS AND RECORDS

As of December 31, 2001, the Company's accounts and records consisted of its general ledger, registers and other subsidiary records. These were maintained on a combination of manual systems and an AS400 Electronic Data Processing (EDP) system, located in the Company's office.

As of December 31, 2001, an examination trial balance was prepared from the Company's accounts and records . Account balances were reconciled to annual statement exhibits and schedules. Selected account balances were examined and tested to files maintained on the EDP system for the examination period as deemed necessary.

Financial reporting deficiencies noted during the course of the examination include:

- Short-term investments of $14,299,850, were reported as cash. The examination recommends that these investments should be reported on Schedule DA – Part 1, instead of Schedule E – Part 1, to be consistent with the NAIC Annual Statement Instructions and Part 4 Section 6 (d) of the Purposes and Procedures Manual of the Securities Valuation Office (SVO).

- As of December 31, 2001, the Company's annual statement reported a provision for policyholders' dividends and coupons payable in the following year of $1,859. This account contains an accrual for long-term care policies with participating features written in the early 1990's. The examination determined that no activity occurred after 1998. It is recommended that the Company audit this account to determine if the accrual is necessary.

- During the examination period covered, the Company did not report reinsurance assumed. The Company did not disclose reinsurance assumed in the annual statements filed for the period covered by this examination. It is recommended that the Company report reinsurance assumed as prescribed by the NAIC Annual Statement Instructions.

- As of December 31, 2001, the Company's aggregate reserve for accident and health policies mainly consisted of active life reserves for long term care policies which were reserved on a two-year full preliminary term. U.C.A. R590-148 (23), which became effective on April 18, 2002, states that reserves shall be determined in accordance with Minimum Reserve Standards, Appendix A-010, Accounting Practices and Procedures Manual, published by the NAIC.

U.C.A. §31A-4-113, requires each authorized insurer to file a true statement of its financial condition and affairs as of December 31 of the preceding year in accordance with the annual statement instructions and the accounting practices and procedures published by the NAIC. According to the NAIC annual statement instructions, a statement is not considered filed unless the information therein is complete and accurate.

FINANCIAL STATEMENT

The following financial statements are included in the examination report:

Balance Sheet as of December 31, 2001

Summary of Operations for the Year Ended December 31, 2001

Capital and Surplus for the Years 1997 through 2001

The Comments on Financial Statement immediately following the financial statements are an integral part of the statements.

Equitable Life and Casualty Insurance Company
Balance Sheet as of December 31, 2001

ASSETS

	Amount	Notes
Bonds	$ 86,055,579	
Mortgage loans on real estate	10,831,276	
Policy loans	227,336	
Cash and short-term investments	11,957,675	
Receivable for securities	545,143	(1)
Amounts recoverable from reinsurers	530,291	
Other amounts receivable under reinsurance contracts	117,225	
Electronic data processing equipment and software	151,127	
Federal and foreign income tax recoverable	1,406,448	
Guaranty funds receivable or on deposit	207,068	
Life insurance premiums and annuity considerations deferred and uncollected	2,748,647	
Accident and health premiums due and unpaid	377,740	(2)(3)
Investment income due and accrued	1,563,816	
Aggregate write-ins for other than invested assets:		
Insurance policy premium payments	835,891	
TOTAL	$ 117,555,262	

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life policies and contracts	$ 16,544,332	
Aggregate reserve for accident and health policies	56,574,824	(4)
Liability for deposit-type contracts	263,566	
Policy and contract claims:		
Life	600,000	
Accident and health	8,650,000	
Dividends apportioned for payment	857	
Coupons and similar benefits	1,002	
Premiums and annuity considerations received in advance	195,945	(4)
Interest maintenance reserve	62,217	
General expenses due and accrued	481,466	(5)
Taxes, licenses and fees due or accrued	241,744	(6)
Federal and foreign income taxes	211,031	
Unearned investment income	3,014	
Amounts witheld or retained by company as agent or trustee	419,863	(1)
Amounts held for agents' account	764,173	
Remittances and items not allocated	487,333	
Borrowed money	215,781	
Asset valuation reserve	453,780	
Payable for securities	500,000	(1)
Aggregate write-ins for liabilities:		
Reinsurance payable	705,721	(3)
TOTAL LIABILITIES	$ 87,376,649	
Common capital stock	2,500,000	
Surplus notes	9,958,425	
Aggregate write-ins for special surplus funds	(24,280,051)	
Unassigned funds	42,000,239	
Surplus	27,678,613	
Total capital and surplus	30,178,613	(7)
TOTAL	$ 117,555,262	

Equitable Life and Casualty Insurance Company
Summary of Operations
for the Year Ended December 31, 2001

Premium and annuity considerations	$ 90,206,731
Net investement income	6,386,928
Amortization of interest maintenance reserve	12,893
Commissions and expense allowances on reinsurance ceded	1,187,411
Aggregate write-ins for misscellaneous income	3,874
Total	97,797,837
Death benefits	3,820,063
Disability benefits and benefits under accident and health policies	53,300,250
Coupons, guaranteed annual pure endowments and similar benefits	817
Surrender benefits and withdrawals for life contracts	204,253
Interest and adjustments of policy or deposit-type contract funds	214
Payments on supplementary contracts with life contingencies	185
Increase in aggregate reserves for life and accident and health policies and contracts	8,562,787
Totals	65,888,569
Commissions on premiums, annuity considerations, and deposit-type contract funds	17,017,744
General insurance expenses	10,580,683
Insurance taxes, licenses and fees, excluding federal income taxes	2,334,060
Increase in loading on deferred and uncollected premium	114,586
Aggregate write-ins for deductions	20,486
Totals	95,956,128
Net gains from operations before dividends to policyholders and federal income taxes	1,841,709
Dividends to policyholder	669
Net gains from operations after dividends to policyholders and before federal income taxes	1,841,040
Federal income taxes incurred	807,617
Net gains from operations after dividends to policyholders and federal income taxes and before realized capital gains	1,033,423
Net realized capital gains	4,090
Net income	$ 1,037,513

Equitable Life and Casualty Insurance Company
Capital and Surplus
for the Years 1997 through 2001

	1997	1998	1999	2000	2001	Notes
Capital and surplus, December 31, previous year	$ 30,086,753	$ 25,580,924	$ 26,947,912	$ 28,722,126	$ 29,630,445	
Net Income	2,679,760	3,363,522	3,766,377	2,360,472	1,037,513	
Change in net unrealized capital gains	(16,164)	(4,576)	(88,445)	(21,000)	(6,123)	
Change in net deferred income tax	(357,549)				32,739	
Change in non admitted assets		(65,159)	350,737	(132,361)	151,755	
Change in reserve on account of change in valuation basis				1,439,251		
Change in asset valuation reserve	524,643	102,838	72,987	(107,293)	(77,324)	
Change in treasury stock	(6,313,739)	(22,137)	(18,482)	459,655	16,067,494	
Change in surplus notes	17,000,000	(2,000,000)	(2,308,960)	(3,090,405)	(2,642,210)	
Cumulative effect of changes in accounting principles					1,173,147	
Capital changes:						
Paid in					(3,139,530)	
Transferred from surplus					1,094,000	
Aggregate write-ins for gains and losses in surplus	(18,022,780)	(7,500)			(13,143,293)	(4,5,6)
Net change in capital and surplus for the year	(4,505,829)	1,366,988	1,774,214	908,319	548,168	
Capital and surplus, December 31, current year	$ 25,580,924	$ 26,947,912	$ 28,722,126	$ 29,630,445	$ 30,178,613	

COMMENTS ON FINANCIAL STATEMENT

(1) Receivable for securites	$545,143
Amounts withheld or retained by the company as agent or trustee	$419,863
Payable for securities	$500,000

The Company reported a liability of $374,720, as amounts withheld or retained by the company as agent or trustee. This included a debit balance of $45,143, which was a result of the Company netting a receivable for securities of $545,143, and a payable for securities of $500,000. The Company's netting of these amounts was not consistent with SSAP No. 26 and the NAIC Annual Statement Instructions. The examination adjusted these accounts to reflect the proper reporting.

(2) Commissions and expense allowances due $ 0

The Company reported $105,294, as of December 31, 2001. The Company offset this asset with reinsurance payable which was determined to be inconsistent with SSAP No. 64. The examination reclassified this credit adjustment as noted in accident and health premiums due and unpaid.

(3) Accident and heath premiums due and unpaid $377,740

The Company reported ($433,275), as of December 31, 2001. The Company netted premiums due of $381,566, less ceded premiums of ($3,826), less premiums due to reinsurers of ($811,015). The examination determined that Company offsets were not consistent with SSAP No. 64. The examination allowed the netted premiums due less ceded premiums. The premiums due to reinsurers ($811,015), was reduced by $105,294, commissions and expense allowances due. The remaining $705,721 was reclassified to aggregate write-ins for liabilities - reinsurance payable.

(4) Aggregate reserve for accident and health policies $56,574,824

The Company reported $57,594,267, which included $15,180,747 of unearned premium reserve. The examination determined that the unearned premium reserve was overstated by $848,987. Therefore the reserve was reduced by the overstated amount for examination purposes. In addition, the examination reclassified $170,456, to advance premium, since it was determined to be advance premium pursuant to SSAP No. 54.

(5) General expenses due or accrued $481,466

The Company reported $370,658, as of December 31, 2001. The examination increased this liability by $110,808, to reflect an accrual on vacation and sick leave wages as of year end.

(6) Taxes, licenses and fees due or accrued $241,744

The Company reported a liability of $458,856 as of December 31, 2001. The examination reduced the liability by $217,112, determining that the Company over accrued for premium taxes, excise taxes and FICA taxes.

(7) Capital and surplus $30,178,613

The Company's capital and surplus was determined to be $955,291, greater than reported in the Company's annual statement as of December 31, 2001. The following schedule identifies the examination changes:

Description	Annual Statement Dr (Cr)	Per Examination	Change in Surplus Inc (Dcr)	Notes
Receivable for securities	$0	$ 545,143	$ 545,143	(1)
Amounts witheld or retained by company as agent or trust	(374,720)	(419,863)	(45,143)	(1)
Payable for securities	0	500,000	(500,000)	(1)
Commissions and expense allowances due	105,294	0	(105,294)	(2)
Accident and health premiums due and unpaid	(433,275)	377,740	811,015	(3)
Aggregate write-ins for liabilities: Reinsurance payable	0	705,721	(705,721)	(3)
Aggregate reserve for accident and health policies	57,594,267	56,574,824	1,019,443	(4)
Premium and annuity considerations received in advance	25,489	195,945	(170,456)	(4)
General expenses due and accrued	370,658	481,466	(110,808)	(5)
Taxes, licenses and fees due or accrued	458,856	241,744	217,112	(6)
Total changes			955,291	
Capital and surplus per Company			29,223,322	
Capital and surplus per Examination			30,178,613	(7)

U.C.A. §31A-5-211, requires the Company to maintain minimum capital in the amount of $400,000. In accordance with U.C.A. §31A-17-VI, the Company reported total adjusted capital of $29,677,531, and an authorized control level risk-based capital (RBC) requirement of $5,141,180, as of December 31, 2001.

The examination determined total adjusted capital to be $30,632,822. The examination accepted the Company's reported authorized control level RBC because adjustments made for examination purposes would not have a significant effect on the RBC requirement.

SUMMARY COMMENTS AND RECOMMENDATIONS

Items of significance or special interest contained in this report are summarized below:

1. During 1998, the Company's bylaws were amended, however they were not filed with the Department until May 13, 2002. It is recommended that the Company file amendments within sixty days of their adoption pursuant to U.C.A. §31A-5-203(4). (HISTORY – General)

2. The minutes of the board of directors meetings generated during the examination period did not evidence the presentation of the prior examination report to the board of directors. It is recommended that the Company provide copies of the adopted examination report to its directors pursuant to U.C.A. §31A-2-204(8). (HISTORY – Corporate Records)

3. As of December 31, 2001, the Company's fidelity bond coverage of $500,000, did not meet the NAIC suggested minimum of $800,000. It is recommended that the Company increase the fidelity bond coverage to the suggested minimum. (FIDELITY BOND AND OTHER INSURANCE)

4. As of December 31, 2001, the Company did not provide documentation evidencing a regulatory deposit to the Department pursuant to U.C.A. §31A-2-206(6)(b). However, on June 11, 2002, the Company submitted the documentation. It is recommended that the Company submit statutory deposits pursuant to U.C.A. §31A-2-206(6)(b). (STATUTORY DEPOSITS)

5. Annual statement reporting deficiencies during the examination were noted. (ACCOUNTS AND RECORDS)

6. As of December 31, 2001, the examination reduced unearned premium reserves by $848,987, and reclassified advance premium pursuant to SSAP No. 54. (COMMENTS ON FINANCIAL STATEMENT – Note 4, Aggregate reserve for accident and health policies)

7. The Company's capital and surplus was determined to be $30,178,613, for examination purposes. The Company's minimum capital requirement was determined to be $400,000. For risk based capital requirements, the Company's total adjusted capital was $30,632,822, and the authorized control level was determined to be $5,141,180. (COMMENTS ON FINANCIAL STATEMENT – Note 7, Surplus as regards policyholders)

CONCLUSION

The assistance and cooperation extended during the course of the examination by officers, employees and representatives of the Company are acknowledged. Ms. Colette Reddoor, AFE, representing the Utah Insurance Department, participated in the examination. In addition to the undersigned, Ms. Lorraine Mayne, FSA, MAAA, of Milliman and Robertson, Inc., conducted the actuarial phases of the examination.

Respectfully submitted,

David A. Martinez

David A. Martinez, CFE
Examiner in Charge, representing the
Utah Insurance Department